

LOUISIANA AGRICULTURAL FINANCE AUTHORITY (LAFA)

MINUTES

August 11, 2009

1:30 P.M.

Veterans Memorial Auditorium

5825 Florida Boulevard

Baton Rouge, LA 70780

CALL TO ORDER

The meeting was called to order by Commissioner Strain at 1:32 P.M.

ROLL CALL

The roll was called by René Simon.

Present: Commissioner Strain, Ted Gauthier, Jerry Hunter, Richard Muller, H. Marcell Parker, Jr., and Linda Zaunbrecher.

Absent: Robert Allain and William Hawkins.

Mr. Simon stated enough members were present for a quorum.

Others present: René Simon, LDAF; Pete Rudesill, LDAF; Faith Marionneaux, LDAF; Rachel Laborde, LDAF; Marvin Montgomery, General Counsel; Melanie Barnett, LDAF; Hilary Stephenson, LDAF; Corinne Brousseau, LDAF; and Mr. Ray Cornelius, Bond Attorney.

COMMISSIONER'S REPORT

The Commissioner stated that Mr. Randy Rogers who was the previous Director of LAFA had taken a retirement package offered by the department. The Department and LAFA wishes to thank Mr. Rogers for his years of dedicated service. About forty five people took the package. This will help the department to stay within its budget. The net savings will be in excess of \$850,000.00. At a previous meeting it was announced that the State Market Commission was dissolved by Act 24 of the 2009 Legislative Session. Its assets were transferred to LAFA. Its liabilities and other functions will be administered by LAFA, but because of the language in the act they do not become the responsibility of the Authority. There is unfinished business concerning Louisiana Cypress Mill, which is in default on a loan. Texas Credit has called the note. After studying the file, the Market Commission had not gone before the Bond Commission to seek its approval for a guarantee of the loan. The Bond Commission attorney's gave an opinion that the guarantee was not legal because the Bond Commission did not give its approval. A bill was introduced to the legislature to pay that loan, but it did not pass.

There is not a clear option how to proceed. LDAF/LAFA has taken all of the assets from Louisiana Cypress to secure the state's position, but as stated earlier it is not clear if LDAF/LAFA can legally make the payment. Commissioner Strain is meeting with the Attorney General's office today to discuss the next step.

OLD BUSINESS

There was none.

NEW BUSINESS

Introduction of new LAFA Director

Commissioner Strain asked the Board to appoint and confirm Mr. René Simon as the new Director of LAFA. Commissioner Strain gave a description of Mr. Simon's duties with the department. Mr. Simon gave a synopsis of his background, and noted he looks forward to working with LAFA and the Farm Loan Recovery Program. He has been reviewing and studying the bonds for LAFA. Commissioner Strain noted that Mr. Simon has been working on several financial issues relating to the bond guarantees.

Motion: A motion was made by Mr. Muller to appoint Mr. Simon as Director of LAFA. It was seconded by Mrs. Zaunbrecher and passed unanimously.

Discussion and Consideration of a resolution authorizing a conversion of the \$30,000,000 outstanding Lacassine bonds to a fixed rate of interest for the remainder of its term and authorizing the Commissioner to execute documents and take any and all other action necessary or desirable in connection therewith.

Commissioner Strain explained that there is \$30 million in outstanding Lacassine bonds. This was originally a \$45 million issue, but because of Commissioner Strain's efforts this past session, \$15 million was secured from the state surplus to pay towards the principal amount. Commissioner Strain then introduced Mr. Ray Cornelius to speak to the board about the interest rate swap. The bonds were on the market and have been tendered back to LAFA. Regions Bank presently holds the bonds and LAFA is paying a variable interest rate. The effective rate with the bond swap is almost 11%, which is good until September 15, 2009. Regions Bank is holding the bonds for six months. LAFA wants to refinance the bond within the existing terms and at a fixed rate. Mr. Cornelius stated that when the meeting was called, the market was better than it is today. Current rates are around 4.8 to 5.5 depending on this type of debt, which is a taxable bond. Mr. Cornelius said his advice is to convert this to a fixed rate with a five year term. The fee side of this has to be approved by the Bond Commission. LAFA is on the agenda for next week to have the fees approved. The Bond Commission is pleased that LAFA wants to take away the interest risk and that it is not at a high cost. Commissioner Strain wants to put the bonds at a fixed rate because we are unsure of where the rates are going and put the bond swap at rest. If it is feasible, the bonds will not have prepayment penalty because every effort will be made to get additional funds from the Legislature next year to pay down the

bonds. This meeting was called hastily because the Bond Commission meets on August 20th and we need the authority's approval. Mr. Muller asked if there would be a downside of refinancing the bonds. Commissioner Strain said we have to refinance. Mr. Cornelius stated the bank provided a letter of credit to secure our bonds. They have not extended that credit. It has expired and the market will tender the bonds. Regions has bought our bonds and given us a prime rate after September 15th. Regions will also be giving us a proposal next week. They are working with us to get all of our information together. The only risk we have is after we refinance, the rates go down. We can't predict a floating rate. Mr. Hunter asked what Regions would want us to do? Mr. Cornelius said they would tell us if we had a better borrowing option to take it. Commissioner Strain stated our remarketing agent is Morgan Keegan which has Bond Commission approval. Mr. Cornelius explained the resolution to the board members. The resolution authorizes a conversion to the fixed rate and also authorizes a conversion to any types of rate provided they are approved by the State Bond Commission.

Motion: A motion was made by Mrs. Zaunbrecher to approve the resolution. It was seconded by Mr. Hunter. It was opened for discussion and passed unanimously.

Discussion and Consideration of a resolution authorizing to promulgate permanent regulations for the Louisiana Farm and Agribusiness Recovery and Loan Program and to restructure the regulations involving the Louisiana Direct Placement Agricultural Revenue Bond Program.

Mr. Simon stated that at the last meeting the authority approved emergency rules and regulations and would now like to make them permanent. Commissioner Strain stated that this is the 44.5 million community development block grant that LDAF is administering. This program is the first of its kind in the U.S., and we want to distribute the money next month. Mr. Montgomery explained that on July 7, 2009 the emergency rules were adopted and will expire on November 3, 2009. A question was raised as to the validity of a loan being made under the temporary rule possibly becoming invalid under the permanent rules because of changes between the two set. It is Mr. Montgomery's opinion that these loans would be valid because they were made according to the existing rules. To make the rules permanent we have to go through a process by publishing a notice of intent. This gives the public a chance to comment on the proposed changes in the rules. Based on the comments, the rules can be modified before becoming permanent. Permanent rules are needed, and will become effective February 20, 2010. For this to happen, the notice must be filed in the register by October 20, 2009. We need to give authority to the Commissioner to renew the emergency regulations as of November 3, 2009 to keep them in effect until the permanent rules go into effect. The substances of the permanent rules and regulations are identical as the ones approved in May. Mr. Montgomery is proposing to change the name of Part III to Agricultural Finance to cover any program by LAFA. Other changes are noted in the draft handout. The requested action is only to authorize the changes, and at its next meeting the Authority will be asked to vote to make the rules permanent. Mr. Hunter wanted to know when the money will be dispensed to the applicants. Commissioner Strain and Ms. Melanie Barnett

discussed the timeline of the program as relevant to the rules and regulations. Mr. Montgomery said we need to approve the process of adopting them also.

Motion: A motion was made by Mr. Gauthier to approve the resolution of authorizing to promulgate permanent regulations. It was seconded by Mr. Parker. It was opened for discussion and passed unanimously.

OTHER DISCUSSION:

Commissioner Strain opened a discussion with Mr. Muller on the bylaws. Mr. Muller explained he has started working on the bylaws. He will try to get a ruff draft to everyone by email. He will also go over the Louisiana Administrative Code to help with the writing of the bylaws. Mr. Rudesill let everyone know that LAFA is going to sign a contract with Petron to build the building in Natchitoches. Petron has the lowest bid of \$488,000.00 to build a “turn key” facility, with construction to begin in two weeks. In Opelousas the contractor has starting renovating the building, and in Woodworth we are closing in the building to keep the weather out. All of these projects are being done with bond proceeds. Commissioner Strain explained that the department’s other buildings also needs repairs and any excess bonds proceeds will be used for this. Mr. Simon noted that LAFA is working with Mr. Cornelius to ensure proper usage of the bond proceeds.

PUBLIC COMMENTS

There were none.

ADJOURNMENT

A motion was made by Mr. Muller to adjourn the meeting and seconded by Mrs. Zaunbrecher. Commissioner Strain adjourned the meeting at 2:36 P.M.